

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

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CIRCULAR NO. A-54
Transmittal Memorandum No. 3

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Policies on selection and acquisition of
automatic data processing equipment

1. Purpose. This Transmittal Memorandum No. 3 amends Circular No. A-54 to provide additional policy guidance relating to the replacement of ADP equipment.

2. Amendment. Add the following subparagraph d to paragraph 4:

"d. The selection of new ADP equipment to replace and upgrade equipment on hand is frequently possible within the same or a new product line of the vendor supplying the existing equipment. Usually such new equipment is compatible with existing equipment, and offers a better cost-performance ratio than is currently being achieved. These replacement possibilities, often advanced by unsolicited proposals, generally appear attractive on the surface. However, several factors should be evaluated before making a decision to proceed with the replacement. These include:

(1) If the replacement is to be made without a competitive evaluation, it is in effect a sole-source procurement and is subject to the Federal Procurement Regulations and Federal Property Management Regulations governing sole-source procurements.

(2) If the replacement is being contemplated to relieve a situation in which the work load is causing a saturation of existing facilities, other actions should also be considered. They are: (a) revalidate the work load and data processing requirements to determine if a reduction can be effected, and (b) determine the possibility of improving the performance of existing facilities through program modifications, rescheduling or the selective replacement of software or peripheral devices which offer greater efficiency or lower cost. For this latter action, techniques are available to assist in evaluating the performance of existing operations and identifying possible

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areas of improvement. By making such improvements, it may be possible to streamline the current process to a degree equaling or exceeding that achieved through complete replacement of the equipment.

(3) The use of alternative commercial sources of supply (such as leasing companies), or alternative methods of contracting for the existing equipment (such as the purchase of leased equipment), might result in equally significant cost/benefit improvements. Policies governing alternative acquisition methods are contained in paragraph 5 of this Circular.

The mere availability of equipment within the existing vendor's product line which is compatible with the installed equipment and which may offer a better cost/performance ratio is not, therefore, a sufficient basis for deviating from the provisions of subparagraphs 4a, 4b, and 4c of this Circular. The policy objectives of defining system specifications as the basis for selection so as to encourage free competition, of according equal opportunity to all qualified suppliers, and of making the selection on the basis of capability and overall cost apply in these cases as they do in the initial selection of equipment. The General Services Administration can advise agencies in determining and evaluating alternative procurement possibilities and methods. Decisions reached in this regard will be properly documented as required by paragraph 7, including a statement of the anticipated cost/benefit improvements against which actual results can be analyzed."

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DIRECTOR